Revised 05/08

Date: July 18,2013

UNITED STATES BANKRUPTCY COURT Eastern District of Michigan

In re:			
City of Detroit, Michigan,		C N 10	
Debtor.	_/	Case No. 13	
BA	NKRUPTCY PETITION COV	ER SHEET	
(The debtor must complete and file this form w requiring information on prior and pending car			ing in the boxes on the petition
	Part 1		
"Companion cases," as defined in L.B.R. 1073-1(b), a shareholder thereof; (3) Affiliated corporations; (4) A jindividual and his or her spouse; or (7) Individuals or	partnership and any of its general	partners; (5) An individual an	d his or her general partner; (6) An
Has a "companion case" to this case ever been filed at (If yes, complete Part 2.)	any time in this district or any o	ther district? Yes No	<u> </u>
	Part 2		
For each companion case, state in chronological ore	der of cases:		
Not applicable			
If the present case is a Chapter 13 case, state for ea	ch companion case:		
Not applicable			
	Part 3 - In a Chapter 13 Cas	e Only	
The Debtor(s) certify, re: I1 U.S.C. § 1328(f): [indicate which]	Not Ap	plicable	
☐ Debtor(s) received a discharge issued in	a case filed under Chapter 7, 11,	or 12 during the 4-years befo	re filing this case.
☐ Debtor(s) did not receive a discharge iss	ued in a case filed under Chapter	7, 11, or 12 during the 4-yea	rs before filing this case.
☐ Debtor(s) received a discharge in a Chap	ter 13 case filed during the 2-yea	ars before filing this case.	
☐ Debtor(s) did not receive a discharge in			se
El Dobtot(s) did not receive a disental go in	a Chapter 13 one mod daring an	o a your outer aming time out	•••
I declare under penalty of perjupy that I have read this	form and that it is true and corre	ct to the best of my informati	on and belief.
	> ~~	_	
J.V.	- Pound a	The same of the sa	V 1 0 0 0 0 (7 D00140)
Kevyl D. Orr Emergency Manager	David G. Heiman (OH 0038271) Heather Lennox (OH 0059649)	Bruce Bennett (CA 105430) JONES DAY	Jonathan S. Green (MI P33140) Stephen S. LaPlante (MI P48063)
City of Detroit	JONES DAY	555 South Flower Street	MILLER, CANFIELD, PADDOCK
•	North Point 901 Lakeside Avenue	Fiftieth Floor Los Angeles, CA 90071	AND STONE, P.L.C. 150 West Jefferson
	Cleveland, OH 44114	Telephone: (213) 243-2382	Suite 2500
	Telephone: (216) 586-3939 Facsimile: (216) 579-0212	Facsimile: (213) 243-2539 bbennett@ionesday.com	Detroit, MI 48226 Telephone: (313) 963-6420
	dgheiman@ionesday.com		Facsimile: (313) 496-7500
	hlennox@jonesday.com		green@millercanfield.com laplante@millercanfield.com

ATTORNEYS FOR THE CITY OF DETROIT, MICHIGAN

B1 (Official Form 1) (04/13) UNITED STATES BANKRUPTCY COURT **VOLUNTARY PETITION EASTERN DISTRICT OF MICHIGAN** Name of Debtor (if individual, enter Last, First, Middle): Name of Joint Debtor (Spouse) (Last, First, Middle): City of Detroit, Michigan All Other Names used by the Debtor in the last 8 years All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names): (include married, maiden, and trade names): Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN (if more than one, state all): (if more than one, state all): 38-6004606 Street Address of Debtor (No. and Street, City, and State): Street Address of Joint Debtor (No. and Street, City, and State): 2 Woodward Avenue **Suite 1126** Detroit, Michigan 48226 ZIP CODE County of Residence or of the Principal Place of Business: County of Residence or of the Principal Place of Business: Mailing Address of Debtor (if different from street address): Mailing Address of Joint Debtor (if different from street address): ZIP CODE ZIP CODE Location of Principal Assets of Business Debtor (if different from street address above): ZIP CODE Type of Debtor Nature of Business Chapter of Bankruptcy Code Under Which (Form of Organization) (Check one box.) the Petition is Filed (Check one box.) (Check one box.) Chapter 15 Petition for Chapter 7 Health Care Business Individual (includes Joint Debtors) \boxtimes Chapter 9 Recognition of a Foreign Single Asset Real Estate as defined in Chapter 11 Main Proceeding See Exhibit D on page 2 of this form. 11 U.S.C. § 101(51B) Corporation (includes LLC and LLP) Chapter 12 Chapter 15 Petition for Railroad Chapter 13 Recognition of a Foreign Partnership Stockbroker Other (If debtor is not one of the above entities, check Commodity Broker Nonmain Proceeding this box and state type of entity below.) Clearing Bank Municipality Other Tax-Exempt Entity **Chapter 15 Debtors** Nature of Debts (Check box, if applicable.) (Check one box.) Country of debtor's center of main interests: ☐ Debts are primarily consumer Debts are Debtor is a tax-exempt organization debts, defined in 11 U.S.C. primarily Each country in which a foreign proceeding by, regarding, or under title 26 of the United States § 101(8) as "incurred by an business debts. Code (the Internal Revenue Code). individual primarily for a against debtor is pending: personal, family, or household purpose." Filing Fee (Check one box.) **Chapter 11 Debtors** Check one box: Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). \boxtimes Full Filing Fee attached. Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is Check if: Debtor's aggregate noncontingent liquidated debts (excluding debts owed to unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. insiders or affiliates) are less than \$2,490,925 (amount subject to adjustment Filing Fee waiver requested (applicable to chapter 7 individuals only). Must on 4/01/16 and every three years thereafter). attach signed application for the court's consideration. See Official Form 3B. Check all applicable boxes: A plan is being filed with this petition. Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b). THIS SPACE IS FOR Statistical/Administrative Information COURT USE ONLY Ø Debtor estimates that funds will be available for distribution to unsecured creditors. Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors. Estimated Number of Creditors \boxtimes П 10.001-25,001-50.001-1-49 200-999 1,000-5,001-Over 50-99 100-199 100,000 50,000 100,000 5.000 10,000 25,000 Estimated Assets \$1,000,001 \$10,000,001 \$50,000,001 \$100,000,001 \$500,000,001 More than \$0 to \$50,001 to \$100,001 to \$500,001 to \$50 to \$100 to \$500 to \$1 billion \$1 billion \$50,000 \$100,000 \$500,000 to \$1 to \$10 million million million million million Estimated Liabilities \$500,000,001 \$50,001 to \$500,001 \$1,000,001 \$10,000,001 \$50,000,001 \$100,000,001 More than \$0 to \$100,001 to \$50,000

B1 (Official Form 1) (04/13)		Page 2
Voluntary Petition	Name of Debtor(s):	
(This page must be completed and filed in every case.) All Prior Bankruptcy Cases Filed Within Last 8	City of Detroit, N	Aichigan
Location	Case Number:	Date Filed:
Where Filed:		
Location Where Filed:	Case Number:	Date Filed:
Pending Bankruptcy Case Filed by any Spouse, Partner, or Ai	ffiliate of this Debtor (If more than one, attach a	additional sheet.)
Name of Debtor:	Case Number:	Date Filed:
District:	Relationship:	Judge:
Exhibit A (To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.) Exhibit A is attached and made a part of this petition.	whose debts are primarily I, the attorney for the petitioner named in the informed the petitioner that [he or she] may of title 11, United States Code, and have ex such chapter. I further certify that I have del by 11 U.S.C. § 342(b).	or is an individual y consumer debts.) c foregoing petition, declare that I have proceed under chapter 7, 11, 12, or 13 plained the relief available under each
Exhil Does the debtor own or have possession of any property that poses or is alleged to pose Yes, and Exhibit C is attached and made a part of this petition.		olic health or safety?
 (To be completed by every individual debtor. If a joint petition is filed, each spouse mu □ Exhibit D, completed and signed by the debtor, is attached and made a part of this If this is a joint petition: □ Exhibit D, also completed and signed by the joint debtor, is attached and made a part of this 	petition.	
Information Regardin (Check any ap Debtor has been domiciled or has had a residence, principal place preceding the date of this petition or for a longer part of such 180 day There is a bankruptcy case concerning debtor's affiliate, general part Debtor is a debtor in a foreign proceeding and has its principal place no principal place of business or assets in the United States but is District, or the interests of the parties will be served in regard to the residue to the served in regard to the regard to the residue to the served in regard to the regard	plicable box.) to of business, or principal assets in this District ys than in any other District. Ther, or partnership pending in this District. There of business or principal assets in the United S a defendant in an action or proceeding [in a fee	states in this District, or has
Certification by a Debtor Who Reside (Check all appl Landlord has a judgment against the debtor for possession of debtor	licable boxes.)	lowing.)
	(Name of landlord that obtained judgment)	
	(Address of landlord)	
Debtor claims that under applicable nonbankruptcy law, there are entire monetary default that gave rise to the judgment for possession		
Debtor has included with this petition the deposit with the court of of the petition.	f any rent that would become due during the 30-d	lay period after the filing
Debtor certifies that he/she has served the Landlord with this certi		agRager3.epf 16

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or

imprisonment or both. 11 U.S.C. § 110; 18 U.S.C. § 156.

[If, to the best of the debtor's knowledge, the debtor owns or has possession of property that poses or is alleged to pose a threat of imminent and identifiable harm to the public health or safety, attach this Exhibit "C" to the petition.]

UNITED STATES BANKRUPTCY COURT

Eastern District of Michigan

In re	City of Detroit, Michigan,	_ ,)	Case No.	13
	Debtor.)		
).		
)	Chapter	9

EXHIBIT "C" TO VOLUNTARY PETITION

1. Identify and briefly describe all real or personal property owned by or in possession of the debtor that, to the best of the debtor's knowledge, poses or is alleged to pose a threat of imminent and identifiable harm to the public health or safety (attach additional sheets if necessary):

Certain properties owned by City of Detroit, Michigan (the "City") have been (a) identified by the City as being structurally unsound and in danger of collapse and (b) scheduled for demolition (collectively, the "Demolition Properties"). The Demolition Properties may pose a threat of imminent harm to public health and/or safety. A list of the Demolition Properties is attached hereto as Schedule 1.

To its knowledge, the City currently does not own any property that is a Superfund Site as designated by the United States Environmental Protection Agency. The City currently owns (in whole or in part) various so-called "Brownfields properties" (collectively, the "Brownfields Properties") regulated by the Michigan Department of Environmental Quality. Currently, one or more private parties (rather than the City) are addressing any identified environmental conditions that might be present at the Brownfields Properties. To the City's knowledge, none of the Brownfields Properties are alleged to pose a threat of imminent and identifiable harm to the public health or safety. A representative list of certain Brownfields Properties is attached hereto as Schedule 2.

In addition to the foregoing, the City owns or is possession of approximately 60,000 parcels of land within the City's geographic boundaries and more than 7,000 vacant structures that are not designated as Demolition Properties or Brownfields Properties (collectively, the "Blighted Properties"). It is possible that some of the Blighted Properties could pose a threat to public health or safety. Although the City is not aware of any Blighted Properties currently posing a threat of "imminent and identifiable harm," the City notes the existence of these properties on this Exhibit C out of an abundance of caution.

2. With respect to each parcel of real property or item of personal property identified in question 1, describe the nature and location of the dangerous condition, whether environmental or otherwise, that poses or is alleged to pose a threat of imminent and identifiable harm to the public health or safety (attach additional sheets if necessary):

See attached Schedule 1 with respect to the Demolition Properties and the attached Schedule 2 with respect to the Brownfields Properties.

SCHEDULE 1

City of Detroit, Michigan Demolition Properties

3922 14th Residential 3654 30th Residential 12032 Abington Residential 2668 Anderdon Residential 821 Anderson Commercial 13501 Appoline Residential 7593 Arcola Residential 14125 Ardmore Residential 13476 Arlington Residential 13544 Arlington Residential 13544 Arlington Residential 14371 Bentler Residential 14371 Bentler Residential 19700 Bloom Residential 19700 Bloom Residential 6072 Braden Residential 9665 Broadstreet Residential 6810 Bulwer Commercial 1454 Burlingame Residential 13469 Caldwell Residential 19221 Cardoni Residential 19324 Carrie Residential 19324 Carrie Residential 13199 Charest Residential 13199 Charest Residential 13199 Charest Residential 13107 Chene Commercial 3636 Cicotte Residential 3637 Residential 3638 Chatsworth Residential 3647 Dayton Residential 3638 Crane Residential 3639 Residential 3640 Residential 3650 Residential 3651 Residential 36628 Crane Residential 36628 Crane Residential 3675 Dearing Residential 3675 Dearing Residential 3675 Residential 3675 Residential 3677 Residential	Street Address	Property Type
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2027 Dearing Residential		
8839 Dennison Residential	8839 Dennison	Residential

Street Address	Property Type
20245 Derby	Residential
125 Dey	Residential
14190 Dolphin	Residential
229 Edmund Pl.	Commercial
3333 Edsel	Residential
203 Erskine	Residential
209 Erskine	Residential
4417 Ewers	Residential
19332 Exeter	Residential
19339 Exeter	Residential
20467 Exeter	Residential
1731 Fischer	Residential
13556 Fleming	Residential
7666 W. Fort	Commercial
5334 French Rd.	Residential
6007 Frontenac	Commercial
18627 Gable	Residential
3727 Garland	Residential
3917 Garland	Residential
4466 Garland	Residential
4470 Garland	Residential
4003 Gilbert	Residential
12511 Glenfield	Residential
14232 Goddard	Residential
14239 Goddard	Residential
11648 Grandmont	Residential
5801 Grandy [1]	Commercial
5801 Grandy [2]	Commercial
2937 Grant	Residential
5589 Guilford	Residential
222 S. Harbaugh	Residential
2900 Harding	Residential
8815 Harper	Commercial
17226 Hasse	Residential
7975 Hathon	Residential
19227 Havana	Residential
19309 Havana	Residential
19321 Havana	Residential
19397 Havana	Residential
7886 Helen	Residential
6200 Hereford	Residential
9905 Herkimer	Residential
1955 Highland	Residential
1778 Holcomb	Residential
4407 Holcomb	Residential
4412 Holcomb	Residential
7202 Holmes	Residential
9278 Holmur	Residential
19925 Hoover	Commercial

Street Address	Property Type
S 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	1750
6360 Horatio	Residential
15518 Idaho [1]	Commercial
15518 Idaho [2]	Commercial
12748 Ilene	Residential
20136 Ilene	Residential
15778 Iliad	Residential
5290 Ivanhoe	Residential
6435 Julian	Commercial
8545 Kenney	Residential
13989 Kentucky	Residential
13301 Kercheval	Commercial
5925 Kopernick	Residential
17137 Lamont	Residential
17208 Lamont	Residential
3839 Lanman	Residential
5206 Lawndale	Residential
2194 Lemay	Residential
3958 Lemay	Residential
1601 Liddesdale	Residential
1029 Liebold	Residential
5065 Lillibridge	Residential
15744 Livernois	Commercial
12558 Longview	Residential
12767 Loretto	Residential
8881 Louis	Residential
13441 Lumpkin	Residential
14242 Mack (a/k/a 3181 Lakewood)	Commercial
12368 MacKay	Residential
12393 MacKay	Residential
12398 MacKay	Residential
13569 MacKay	Residential
13909 MacKay	Residential
13927 MacKay	Residential
	Residential
13952 MacKay	Residential
13977 MacKay 13983 MacKay	Residential
459 Manistique	Residential
12000 Mansfield	Residential
8129 Marcus	Residential
	Residential
4588 Marseilles	Residential
9343 N. Martindale	
8320 Maxwell	Residential
8326 Maxwell	Residential
4766 McDougall	Commercial
2122 Meade	Residential
2420 Meade	Residential
3697 Medbury	Residential
11654 Meyers	Residential
8911 Milner	Residential
2652 Norman	Residential
10002 Nottingham	Residential

Street Address	Property Type
5115 Nottingham	Residential
8811 Olivet	Residential
8917 Otsego	Residential
15799 Parkside	Residential
18401 Pembroke	Residential
11172 Promenade	Residential
2101 Puritan	Commercial
5807 Renville	Residential
1957 Richton	Residential
534 W. Robinwood	Residential
6119 Rohns	Residential
14381 Rosa Parks Blvd.	Unknown
11735 Rutherford	Residential
6835 Seminole	Residential
5737 E. Seven Mile	Commercial
2008 Sharon	Residential
13422 Shields	Residential
10201 Shoemaker	Commercial
10956 Shoemaker	Commercial
6750 Sparta	Residential
14291 Spring Garden	Commercial
4467 St. Clair	Residential
6915 St. John	Residential
7180 St. John	Residential
18805 St. Louis	Commercial
1928 Stanley	Residential
12746 Strasburg	Residential
8104 Thaddeus	Residential
4832 Toledo	Residential
6195 Townsend	Residential
9778 Traverse	Residential
17231 Trinity	Residential
2634 Tuxedo	Residential
2522-4 Tyler	Residential
2660 Tyler	Residential
9526 Van Dyke	Commercial
2030 Vinewood	Residential
5757 Vinewood	Commercial
15451 Virgil	Residential
15300 E. Warren (Bldgs. 101 & 102)	Commercial
64 Watson	Commercial
6414 Willette	Unknown
4364 Woodhall	Residential
11640 Woodmont	Residential
12075 Woodmont	Residential
12136 Woodmont	Residential
12153 Woodmont	Residential
11365 Yosemite	Residential
11402 Yosemite	Residential

SCHEDULE 2

City of Detroit, Michigan Brownfields Properties

Name of Site	<u>Description</u>
Former Detroit Coke Site	7819 West Jefferson Avenue
Belleview Development (Uniroyal) Site	600 East Jefferson. 43-acre former Uniroyal site located in the East Riverfront District, bounded by Jefferson Avenue (to the north), MacArthur Bridge (to the east), Detroit River (to the south) and Meldrum Street (to the west).
Riverside Park Site	3085 West Jefferson Avenue. West Grand Boulevard and 24th Street along the Detroit River.



EMERGENCY MANAGER CITY OF DETROIT

ORDER No. 13

FILING OF A PETITION UNDER CHAPTER 9 OF TITLE 11 OF THE UNITED STATES CODE

By the Authority Vested in the Emergency Manager For the City of Detroit Pursuant to Michigan's Public Act 436 of 2012, Kevyn D. Orr, the Emergency Manager, Issues the Following Order:

Whereas, on March 28, 2013, Michigan Public Act 436 of 2012 ("PA 436") became effective and Kevyn D. Orr became the Emergency Manager (the "EM") for the City of Detroit (the "City") with all the powers and duties provided under PA 436; and

Pursuant to section 9(2) of PA 436, the EM "shall act for and in the place and stead of" the Detroit Mayor and City Council; and

Section 9(2) of PA 436 also grants the EM "broad powers in receivership to rectify the financial emergency and to assure the fiscal accountability of the [City] and the [City's] capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare;" and

Pursuant to section 10(1) of PA 436, the EM may "issue to the appropriate local elected and appointed officials and employees, agents, and contractors of the local government the orders the [EM] considers necessary to accomplish the purposes of this act;" and

Section 18(1) of PA 436 provides that "[i]f, in the judgment of the [EM], no reasonable alternative to rectifying the financial emergency of the local government which is in receivership exists, then the [EM] may recommend to the governor and the

state treasurer that the local government be authorized to proceed under chapter 9" of title 11 of the United States Code (the "Bankruptcy Code"); and

Section 18(1) of PA 436 further provides that "[i]f the governor approves of the [EM's] recommendation, the governor shall inform the state treasurer and the emergency manager in writing of the decision.... Upon receipt of the written approval, the emergency manager is authorized to proceed under chapter 9 [of the Bankruptcy Code]. This section empowers the local government for which an emergency manager has been appointed to become a debtor under [the Bankruptcy Code], as required by section 109 of [the Bankruptcy Code], and empowers the emergency manager to act exclusively on the local government's behalf in any such case under chapter 9" of the Bankruptcy Code; and

In accordance with section 18 of PA 436, the EM has recommended to the Governor of Michigan (the "Governor") and the Michigan State Treasurer (the "State Treasurer") that the City be authorized to proceed under chapter 9 of the Bankruptcy Code (the "Recommendation"); and

The Governor has provided the State Treasurer and the EM with his written approval of the Recommendation, a true and correct copy of which is attached hereto as Exhibit A, thereby authorizing the City to proceed under chapter 9.

It is hereby ordered that:

- 1. The City shall file a petition for relief under chapter 9 of the Bankruptcy Code (the "Petition") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court").
- 2. The City's Corporation Counsel, financial advisors, outside legal advisors and other officers and employees of the City, as applicable, are hereby authorized and directed, on behalf of and in the name of the City, to execute and verify the Petition and related Bankruptcy Court filings and perform any and all such acts as are reasonable, appropriate, advisable, expedient, convenient, proper or necessary to carry out this Order, as and to the extent directed by the EM or his designee.
- 3. If any component of this Order is declared illegal, unenforceable or ineffective in a legal or other forum or proceeding such component shall be deemed severable so that all other components contained in this Order shall remain valid and effective.
- 4. This Order is effective immediately upon the date of execution below.
- 5. This Order shall be distributed to the Mayor, City Council members and all department heads.

6. The EM may modify, rescind, or replace this Order at any time. -

Dated: July 18, 2013

By:

Kevyn IV. Orr Emergency Manager City of Detroit

cc: State of Michigan Department of Treasury

Mayor David Bing

Members of Detroit City Council

EXHIBIT A

Governor's Written Approval of Recommendation



STATE OF MICHIGAN EXECUTIVE OFFICE LANSING

BRIAN CALLEY LT. GOVERNOR

RICK SNYDER GOVERNOR

VIA HAND AND ELECTRONIC DELIVERY

July 18, 2013

Kevyn D. Orr Emergency Manager City of Detroit Coleman A. Young Municipal Center 2 Woodward Ave., Suite 1126 Detroit, MI 48226

Andrew Dillon
State Treasurer
Michigan Department of Treasury
4th Floor Treasury Building
430 W. Allegan Street
Lansing, MI 48992

Re: Authorization to Commence Chapter 9 Bankruptcy Proceeding

Dear Mr. Orr and Mr. Dillon,

I have reviewed Mr. Orr's letter of July 16, 2013, requesting my approval of his recommendation to commence a bankruptcy proceeding for the City of Detroit under Chapter 9 of title 11 of the United States Code. As you know, state law requires that any such recommendation must first be approved by the Governor before the emergency manager may take that step. MCL 141.1558. For the reasons discussed below, I hereby approve that recommendation and authorize Mr. Orr to make such a filling.

Current Financial Emergency

In reviewing Mr. Orr's letter, his Financial and Operating Plan, and his report to creditors, it is clear that the financial emergency in Detroit cannot be successfully addressed outside of such a filing, and it is the only reasonable alternative that is available. In other words, the City's financial emergency cannot be satisfactorily rectified in a reasonable period of time absent this filing.

I have reached the conclusion that this step is necessary after a thorough review of all the available alternatives, and I authorize this necessary step as a last resort to return this great City to financial and civic health for its residents and taxpayers. This decision comes in the wake of 60 years of decline for the City, a period in which reality was often

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ignored. I know many will see this as a low point in the City's history. If so, I think it will also be the foundation of the City's future – a statement I cannot make in confidence absent giving the City a chance for a fresh start, without burdens of debt it cannot hope to fully pay. Without this decision, the City's condition would only worsen. With this decision, we begin to provide a foundation to rebuild and grow Detroit.

Both before and after the appointment of an emergency manager, many talented individuals have put enormous energy into attempting to avoid this outcome. I knew from the outset that it would be difficult to reverse 60 years of decline in which promises were made that did not reflect the reality of the ability to deliver on those promises. I very much hoped those efforts would succeed without resorting to bankruptcy. Unfortunately, they have not. We must face the fact that the City cannot and is not paying its debts as they become due, and is insolvent.

After reading Mr. Orr's letter, the Financial and Operating Plan, and the report to creditors, I have come to four conclusions.

- 1. Right now, the City cannot meet its basic obligations to its citizens.
- 2. Right now, the City cannot meet its basic obligations to its creditors.
- 3. The failure of the City to meet its obligations to its citizens is the primary cause of its inability to meet its obligations to its creditors.
- 4. The only feasible path to ensuring the City will be able to meet obligations in the future is to have a successful restructuring via the bankruptcy process that recognizes the fundamental importance of ensuring the City can meet its basic obligations to its citizens.

I will explain how I came to each conclusion.

Plan and the June 14 Creditor Proposal have noted, the scale and depth of Detroit's problems are unique. The City's unemployment rate has nearly tripled since 2000 and is more than double the national average. Detroit's homicide rate is at the highest level in nearly 40 years, and it has been named as one of the most dangerous cities in America for more than 20 years. Its citizens wait an average of 58 minutes for the police to respond to their calls, compared to a national average of 11 minutes. Only 8.7% of cases are solved, compared to a statewide average of 30.5%. The City's police cars, fire trucks, and ambulances are so old that breakdowns make it impossible to keep up the fleet or properly carry out their roles. For instance, only a third of the City's ambulances were in service in the first quarter of 2013. Similarly, approximately 40% of the City's street lights were not functioning in that quarter and the backlog of complaints is more than 3,300 long. Having large swaths of largely abandoned structures — approximately 78,000 — creates additional public safety problems and reduces the quality of life in the City. Mr. Orr is correct that meeting the obligations the City has to

Page 3 of 4 July 18, 2013

its citizens to provide basic services requires more revenue devoted to services, not less.

Inability to Meet Obligations to Its Creditors. The City has more than \$18 billion in accrued obligations. A vital point in Mr. Orr's letter is that Detroit tax rates are at their current legal limits, and that even if the City was legally able to raise taxes, its residents cannot afford to pay additional taxes. Detroiters already have a higher tax rate than anywhere in Michigan, and even with that revenue the City has not been able to keep up with its basic obligations, both to its citizens and creditors. Detroit simply cannot raise enough revenue to meet its current obligations, and that is a situation that is only projected to get worse absent a bankruptcy filing.

Failure to Meet Obligations to Citizens Creates Failure to Meet Obligations to Creditors. Mr. Orr's letter and prior report put in stark reality the dramatic impact of the City's plummeting population. While many who love Detroit still live there, many other Detroiters at heart could not justify the sacrifice of adequate services. The City's population has declined 63% from its peak, including a 28% decline since 2000. That exodus has brought Detroit to the point that it cannot satisfy promises it made in the past. A decreasing tax base has made meeting obligations to creditors impossible. Mr. Orr is correct when he says the City cannot raise the necessary revenue through tax increases, and it cannot save the necessary revenue through reducing spending on basic services. Attempts to do so would only decrease the population and tax base further, making a new round of promises unfulfillable.

Only One Feasible Path Offers a Way Out. The citizens of Detroit need and deserve a clear road out of the cycle of ever-decreasing services. The City's creditors, as well as its many dedicated public servants, deserve to know what promises the City can and will keep. The only way to do those things is to radically restructure the City and allow it to reinvent itself without the burden of impossible obligations. Despite Mr. Orr's best efforts, he has been unable to reach a restructuring plan with the City's creditors. I therefore agree that the only feasible path to a stable and solid Detroit is to file for bankruptcy protection.

The past weeks have reaffirmed my confidence that Mr. Orr has the right priorities when it comes to the City of Detroit. I am reassured to see his prioritization of the needs of citizens to have improved services. I know we share a concern for the public employees who gave years of service to the City and now fear for their financial future in retirement, and I am confident that all of the City's creditors will be treated fairly in this process. We all believe that the City's future must allow it to make the investment it needs in talent and in infrastructure, all while making only the promises it can keep. Let us remain in close communication regarding measures Mr. Orr might take so we can discuss the possible impacts that might occur both within and outside of the City.

Contingencies

2012 PA 436 provides that my approval of the recommendation to commence a Chapter 9 proceeding may place contingencies on such a filing. MCL 141.1558(1). I am choosing not to impose any such contingencies today. Federal law already contains the most important contingency – a requirement that the plan be legally executable. 11 USC 943(b)(4).

Conclusion

In conclusion, I find Mr. Orr's Recommendation Letter to be persuasive, especially in conjunction with his prior reports laying out the level of services the City can provide and its financial ability to meet its obligations to creditors. I am also convinced that Mr. Orr has exercised his best efforts to arrive at a restructuring plan with the City's creditors outside of bankruptcy, to no avail. Given these facts, the only feasible path to sustainability for the City of Detroit is a filing under chapter 9 of the bankruptcy code. Therefore, I hereby approve Mr. Orr's recommendation and authorize the emergency manager to make such a filing on behalf of the City of Detroit and to take all actions that are necessary and appropriate toward that end.

Sincerely,

Richard D. Snyder

Governor

State of Michigan